



House of Representatives

General Assembly

File No. 398

February Session, 2014

Substitute House Bill No. 5041

House of Representatives, April 7, 2014

The Committee on Commerce reported through REP. PERONE of the 137th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING INVESTMENT IN CONNECTICUT'S ADVANCED MANUFACTURING BUSINESSES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage*) As used in this section and
2 sections 2 and 3 of this act:

3 (1) "Administrative costs" means the costs paid or incurred by the
4 administrator, including, but not limited to, peer review costs,
5 professional fees, allocated staff costs and other out-of-pocket costs
6 attributable to the administration and operation of the Connecticut
7 Manufacturing Innovation Fund;

8 (2) "Administrator" means the Department of Economic and
9 Community Development;

10 (3) "Advisory board" means the Manufacturing Innovation
11 Advisory Board established pursuant to section 2 of this act;

12 (4) "Eligible recipient" means (A) an aerospace, medical device or

13 other company or nonprofit organization specializing in or providing
14 technologically advanced commercial products or services; (B) an
15 entity desiring to leverage federal grant funds to support
16 advancements in manufacturing; or (C) a state or federally certified
17 education and training program designed to meet an anticipated
18 demand for appropriately skilled and trained workers;

19 (5) "Financial assistance" means any and all forms of grants,
20 extensions of credit, loans or loan guarantees, equity investments or
21 other forms of financing; and

22 (6) "Return on investment" means any and all forms of principal or
23 interest payments, guarantee fees, returns on equity investments,
24 royalties, options, warrants and debentures and all other forms of
25 remuneration to the administrator in return for any financial assistance
26 offered or provided.

27 Sec. 2. (NEW) (*Effective from passage*) (a) There is established a
28 Manufacturing Innovation Advisory Board that shall consist of the
29 following members: (1) Four appointed by the Governor; (2) one
30 appointed by the president pro tempore of the Senate; (3) one
31 appointed by the speaker of the House of Representatives; (4) one
32 appointed by the majority leader of the Senate; (5) one appointed by
33 the majority leader of the House of Representatives; (6) one appointed
34 by the minority leader of the Senate; (7) one appointed by the minority
35 leader of the House of Representatives; and (8) the Commissioner of
36 Economic and Community Development, or the commissioner's
37 designee, who shall serve as the chairperson of the advisory board.
38 Each appointed member shall (A) have skill, knowledge and
39 experience in industries and sciences related to aerospace, medical
40 devices, digital manufacturing, digital communication or advanced
41 manufacturing; (B) be a university faculty member in or hold a
42 graduate degree in a related discipline, including, but not limited to,
43 additive manufacturing and materials science; (C) have manufacturing
44 education and training expertise; or (D) represent manufacturing
45 related businesses or professional organizations. All initial

46 appointments to the advisory board pursuant to this subsection shall
47 be made not later than July 1, 2014. Appointed members shall each
48 serve a term that is coterminous with the respective appointing
49 authority. Each member shall hold office until a successor is
50 appointed. Any vacancy occurring on the advisory board, other than
51 by expiration of term, shall be filled in the same manner as the original
52 appointment for the balance of the unexpired term.

53 (b) The chairperson shall call the first meeting of the advisory board
54 not later than September 30, 2014. The advisory board shall meet at
55 such times as the chairperson deems necessary.

56 (c) No member of the advisory board shall receive compensation for
57 such member's services, except that each member shall be entitled to
58 reimbursement for actual and necessary expenses incurred in the
59 performance of such member's official duties.

60 (d) A majority of the members of said advisory board shall
61 constitute a quorum for the transaction of any business or the exercise
62 of any power of the advisory board. The advisory board may act by a
63 majority of the members present at any meeting at which a quorum is
64 in attendance, for the transaction of any business or the exercise of any
65 power of the advisory board, except as otherwise provided in this
66 section.

67 (e) Notwithstanding any provision of the general statutes, it shall
68 not constitute a conflict of interest for a trustee, director, partner,
69 officer, manager, shareholder, proprietor, counsel or employee of an
70 eligible recipient, or any individual with a financial interest in an
71 eligible recipient, to serve as a member of the advisory board,
72 provided such trustee, director, partner, officer, manager, shareholder,
73 proprietor, counsel, employee or individual shall abstain from
74 deliberation, action or vote by the advisory board concerning any
75 matter relating to such eligible recipient.

76 Sec. 3. (NEW) (*Effective from passage*) (a) There is established the
77 Connecticut Manufacturing Innovation Fund, which shall be a

78 nonlapsing fund held by the Treasurer separate and apart from all
79 other moneys, funds and accounts. The following moneys shall be
80 deposited in the fund: (1) Any moneys required or permitted by law to
81 be deposited in the fund; (2) any moneys received in return for
82 financial assistance awarded from the Connecticut Manufacturing
83 Innovation Fund pursuant to the program established in subsection (k)
84 of this section; (3) all private contributions, gifts, grants, donations,
85 bequests or devises received by the fund; and (4) to the extent not
86 otherwise prohibited by state or federal law, any local, state or federal
87 funds received by the fund. Investment earnings credited to the assets
88 of such fund shall become part of the assets of such fund. The
89 Treasurer shall invest the moneys held by the Connecticut
90 Manufacturing Innovation Fund subject to use for financial assistance
91 in accordance with subsections (d) and (k) of this section.

92 (b) Any moneys held in the Connecticut Manufacturing Innovation
93 Fund may, pending the use or application of the proceeds thereof for
94 an authorized purpose, be (1) invested and reinvested in such
95 obligations, securities and investments as are set forth in subsection (f)
96 of section 3-20 of the general statutes, in participation certificates in the
97 Short Term Investment Fund created under sections 3-27a and 3-27f of
98 the general statutes and in participation certificates or securities of the
99 Tax-Exempt Proceeds Fund created under section 3-24a of the general
100 statutes, (2) deposited or redeposited in any bank or banks, at the
101 direction of the Treasurer, or (3) invested in participation units in the
102 combined investment funds, as defined in section 3-31b of the general
103 statutes. Proceeds from investments authorized by this subsection shall
104 be credited to the Connecticut Manufacturing Innovation Fund.

105 (c) The Connecticut Manufacturing Innovation Fund shall not be
106 deemed an account within the General Fund. The moneys of the fund
107 shall be used in accordance with the provisions of subsections (d) and
108 (k) of this section and are in addition to any other resources available
109 from state, federal or other entities that support the purposes described
110 in subsections (d) and (k) of this section.

111 (d) The Connecticut Manufacturing Innovation Fund shall be used:
112 (1) To provide financial assistance to eligible recipients as may be
113 approved by the Manufacturing Innovation Advisory Board pursuant
114 to subsection (g) of this section, and (2) to pay or reimburse the
115 administrator for administrative costs pursuant to subsection (m) of
116 this section. Such financial assistance shall be awarded for the purpose
117 of: (A) Furthering the development or modernization of
118 manufacturing equipment; (B) supporting advancements in
119 manufacturing; (C) supporting advanced manufacturing research and
120 development; (D) supporting expansion and training by eligible
121 recipients; (E) attracting new manufacturers to the state; (F) supporting
122 education and training programs designed to meet an anticipated
123 demand for appropriately skilled and trained workers; (G) matching
124 federal grants or otherwise leveraging federal grant funds to aid
125 Connecticut universities and nonprofit organizations to increase
126 research efforts; and (H) funding a voucher program as described in
127 subsection (k) of this section. Additionally, such financial assistance
128 shall target aerospace, medical device, composite materials, digital
129 manufacturing and other technologically advanced commercial
130 products and services' supply chains and related disciplines that are
131 likely to lead to an improvement in or development of products or
132 services that are commercializable and designed to advance the state of
133 technology and the competitive position of eligible recipients, and that
134 promise, directly or indirectly, to lead to job growth in the state in
135 these or related fields.

136 (e) The administrator, in consultation with the Manufacturing
137 Innovation Advisory Board, shall give priority consideration to
138 proposals from any company that is located in or planning to relocate
139 to: (1) A distressed municipality, as defined in section 32-9p of the
140 general statutes; (2) a targeted investment community, as defined in
141 section 32-222 of the general statutes; (3) a public investment
142 community, as defined in section 7-545 of the general statutes; (4) an
143 enterprise zone designated pursuant to section 32-70 of the general
144 statutes; or (5) a manufacturing innovation district established
145 pursuant to subsection (f) of this section.

146 (f) The administrator, in consultation with the Manufacturing
147 Innovation Advisory Board, may establish manufacturing innovation
148 districts in order to promote economic development priorities
149 identified by the administrator.

150 (g) All expenditures from the Connecticut Manufacturing
151 Innovation Fund, except for administrative costs reimbursed to the
152 administrator pursuant to subsection (j) of this section, shall be
153 approved by the advisory board, provided the advisory board may
154 delegate to staff of the administrator the approval of transactions not
155 greater than one hundred thousand dollars. Any such approval by the
156 advisory board shall be (1) specific to an individual expenditure to be
157 made; (2) for budgeted expenditures with such variations as the
158 advisory board may authorize at the time of such budget approval; or
159 (3) for a financial assistance program to be administered by staff of the
160 administrator, subject to limits, eligibility requirements and other
161 conditions established by the Manufacturing Innovation Advisory
162 Board at the time of such program approval.

163 (h) The administrator shall provide any necessary staff, office space,
164 office systems and administrative support for the operation of the
165 Connecticut Manufacturing Innovation Fund in accordance with this
166 section. In acting as administrator of the fund, the Department of
167 Economic and Community Development shall have and may exercise
168 all of the powers set forth in chapter 578 of the general statutes,
169 provided expenditures from the fund shall be approved by the
170 Manufacturing Innovation Advisory Board pursuant to subsection (g)
171 of this section.

172 (i) The Manufacturing Innovation Advisory Board shall establish an
173 application and approval process with guidelines and terms for
174 financial assistance awarded from the Connecticut Manufacturing
175 Innovation Fund to any eligible recipient. Such guidelines and terms
176 shall include: (1) A requirement that any applicant for financial
177 assistance operate in the state, or propose to relocate operations to the
178 state, in whole or in part, as a condition of such financial assistance; (2)

179 limitations on the total amount of financial assistance that may be
180 awarded in the form of loans and grants; (3) eligibility requirements
181 for loans and grants, including a requirement for applicants to obtain
182 matching funds from nonstate sources; (4) a process for preliminary
183 review of applications for strength and eligibility by the administrator
184 before such applications are presented to the advisory board for
185 consideration; (5) return on investment objectives, including, but not
186 limited to, job growth and leveraged investment opportunities; and (6)
187 such other guidelines and terms as the advisory board determines to
188 be necessary and appropriate in furtherance of the objectives of this
189 section.

190 (j) Financial assistance awarded from the Connecticut
191 Manufacturing Innovation Fund to eligible recipients shall be used for
192 costs related to facilities, necessary furniture, fixtures and equipment,
193 tooling development and manufacture, materials and supplies, proof
194 of concept or relevance, research and development, compensation and
195 such other costs that the Manufacturing Innovation Advisory Board
196 determines pursuant to subsection (i) of this section to be eligible for
197 financial assistance within the purposes of this section.

198 (k) The Manufacturing Innovation Advisory Board may establish a
199 voucher program that shall provide eligible recipients access to
200 technical experts in universities, nonprofit organizations and other
201 organizations that can provide specialized expertise to such eligible
202 recipients to solve engineering, marketing and other challenges. The
203 Commissioner of Economic and Community Development, in
204 consultation with the advisory board, may adopt regulations, in
205 accordance with the provisions of chapter 54 of the general statutes, to
206 implement such voucher program.

207 (l) On or before July 1, 2015, and prior to each fiscal year thereafter,
208 the administrator shall prepare a plan of operations and an operating
209 and capital budget for the Connecticut Manufacturing Innovation
210 Fund, provided not later than ninety days prior to the start of each
211 fiscal year, the administrator shall submit such plan and budget to the

212 Manufacturing Innovation Advisory Board for its review and
213 approval.

214 (m) Administrative costs shall be paid or reimbursed to the
215 administrator from the Connecticut Manufacturing Innovation Fund,
216 provided the total of such administrative costs in any fiscal year shall
217 not exceed five per cent of the total amount of the allotted funding for
218 such fiscal year as determined in the operating budget prepared
219 pursuant to subsection (l) of this section. Nothing in this section or
220 section 2 of this act shall be deemed to require the administrator to risk
221 or expend the funds of the Department of Economic and Community
222 Development in connection with the administration of the Connecticut
223 Manufacturing Innovation Fund.

224 (n) Not later than January 1, 2016, and annually thereafter, the
225 administrator shall provide a report of the activities of the Connecticut
226 Manufacturing Innovation Fund to the Manufacturing Innovation
227 Advisory Board for the advisory board's review and approval. Upon
228 such approval, the advisory board shall provide such report, in
229 accordance with the provisions of section 11-4a of the general statutes,
230 to the joint standing committee of the General Assembly having
231 cognizance of matters relating to commerce. Such report shall contain
232 available information on the status and progress of the operations and
233 funding of the Connecticut Manufacturing Innovation Fund and the
234 types, amounts and recipients of financial assistance awarded and any
235 returns on investment.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage</i>	New section

Statement of Legislative Commissioners:

In section 3(d)(F), "training programs to meet anticipated demand" was changed to "training programs designed to meet an anticipated demand" for clarity and consistency with the language of section 1(4).

CE *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

The bill establishes the Connecticut Manufacturing Innovation Fund (CMIF) as a non-lapsing fund, separate from the General Fund. sSB 29, the revised FY 15 bond bill, as favorably reported by the Finance, Revenue and Bonding Committee, authorizes \$30 million for the CMIF in FY 15.

The bill allows up to 5.0% of the allotted funding in the operations budget for each fiscal year to be used for administrative expenses. Under the bill, the Department of Economic and Community Development (DECD) must prepare the operating and capital budget for the CMIF to be approved by the CMIF advisory board. It is therefore anticipated that DECD, as the administrator of the CMIF, will include a reimbursement in the operating budget sufficient to cover any administrative costs incurred.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sHB 5041*****AN ACT CONCERNING INVESTMENT IN CONNECTICUT'S
ADVANCED MANUFACTURING BUSINESSES.*****SUMMARY:**

This bill establishes the Connecticut Manufacturing Innovation Fund ("fund") administered by the Department of Economic and Community Development (DECD). It requires the fund to (1) provide financial assistance to businesses, nonprofits, and other organizations that are part of the supply chain or related disciplines of targeted industries, products, and services and (2) reimburse DECD for the costs it incurs in administering the fund. (Presumably, "related disciplines" refers to academic or applied research.) Assistance can be in the form of grants, loans, equity, or vouchers and must help develop manufacturing equipment, educate and train workers, or support research, among other things. Any assistance awarded from the fund must target certain disciplines and industries (e.g., aerospace, medical devices) that will improve or develop commercial products, make businesses more competitive, and create jobs. The fund must give priority to companies and other organizations located in certain target economic development areas.

The bill also creates an 11-member Manufacturing Innovation Advisory Board ("advisory board"), which consists of the DECD commissioner, four members appointed by the governor, and six members, one each appointed by the legislative leaders. The advisory board must create an application and approval process for financial assistance from the fund and approve expenditures, annual budgets, and any reports from the fund, among other duties. The board may also create a voucher program for recipients to access technical

expertise at universities and nonprofits in the state.

DECD must prepare annual operating plans and budgets for the fund and provide all necessary staff, space, office systems, and administrative support needed to operate it. It must also report on the activities of the fund to the Commerce Committee annually beginning January 1, 2016.

EFFECTIVE DATE: Upon passage

CONNECTICUT MANUFACTURING INNOVATION FUND

The bill establishes the Connecticut Manufacturing Innovation Fund, which is dedicated, nonlapsing, and separate from the General Fund. The fund must contain (1) any funds required or permitted by law to be deposited in it, (2) repayments of loans granted from the fund, (3) private donations, gifts, grants, or bequests received by the fund, and (4) any local, state, or federal funds the fund received. Until it is used to award financial assistance, the treasurer must invest the money held by the fund as she sees fit, including in banks, investment funds, and state and federal bonds, among other investments. Investment earnings on the fund's assets become part of the fund.

DECD must provide necessary staff, space, office systems, and administrative support to operate the fund. DECD may exercise all of its statutory powers in administering the fund, provided the advisory board approves all fund expenditures other than DECD administrative costs.

Use of Funds

Any money held in the fund must be used to provide financial assistance to approved eligible recipients or reimburse DECD for its administrative costs (e.g., peer review costs, professional fees, and allocated staff costs).

Under the bill, an "eligible recipient" for financial assistance is (1) an aerospace, medical device, or other company or nonprofit organization specializing in or providing technologically advanced

commercial products or services; (2) an entity looking to leverage federal grant funds to support manufacturing advancement; or (3) a certified education or training program designed to meet future workforce needs.

The fund's financial assistance can be in the form of grants, extensions of credit, loans, loan guarantees, equity investments, or other forms of financing. It must be used for:

1. further developing or modernizing manufacturing equipment;
2. supporting advancements in manufacturing;
3. supporting advanced manufacturing research and development;
4. supporting expansion and training by eligible recipients;
5. attracting new manufacturers to the state;
6. supporting education and training programs that help meet the anticipated skilled workforce demands;
7. matching or leveraging federal funds to help Connecticut universities increase research efforts; or
8. funding a voucher program for technical assistance.

Recipients of financial assistance must use funds for costs related to facilities, necessary furniture, fixtures and equipment, tooling development and manufacture, materials and supplies, proof of concept or relevance, research and development, compensation, or other costs that the advisory board deems eligible.

Voucher Program

The bill allows the advisory board to establish, and DECD to develop regulations for, a voucher program to help recipients access technical experts at universities, nonprofits, and other organizations. These experts can provide specialized expertise to help solve a recipient's engineering, marketing, and other challenges.

Targeting and Priority Consideration

Any financial assistance awarded from the fund must target the supply chains and related disciplines of aerospace, medical device, composite materials, digital manufacturing, and other technologically advanced commercial products and services. These supply chains and related disciplines must also (1) be likely to improve or develop commercial products that advance the state of technology and the recipient's competitive position recipient's and (2) promise to directly or indirectly grow jobs in the state in related fields.

DECD and the advisory board must give priority to proposals from any company that is located in or plans to relocate to (1) a distressed municipality, (2) a targeted investment community, (3) a public investment community, (4) an enterprise zone, or (5) a manufacturing innovation district. The bill allows DECD to establish, in consultation with the advisory board, "manufacturing innovation districts" in order to promote DECD's economic development priorities. The bill does not specify the number or size of districts that may be established, nor does it provide criteria for selecting them.

Application and Approval Process

The advisory board must establish an application and approval process with guidelines and terms for financial assistance awarded from the fund. These guidelines and terms must:

1. require any applicant for financial assistance to operate in the state or plan to relocate to the state;
2. limit the amount of financial assistance that can be awarded in the form of loans or grants;
3. include eligibility requirements for loans and grants, including a requirement to match state funds with funds from nonstate sources;
4. create a preliminary review process to be carried out by DECD before presenting proposals to the board;

5. include return on investment objectives, such as job growth and leveraged investment opportunities; and
6. include any other guidelines the advisory board determines to be necessary and appropriate.

Budget and Operating Plan

Each fiscal year beginning July 1, 2015, DECD must prepare an operating plan and an operating and capital budget for the fund. DECD must submit the budgets and plan to the advisory board for review and approval 90 days before the start of each fiscal year. DECD is entitled to reimbursement for administrative costs associated with administering the fund, but the total administrative cost must not exceed 5% of the funds allocated in the operating budget for the year.

Approval of Expenditures

All expenditures from the fund (except for DECD's administrative costs) must be approved by the advisory board. Any approval by the board must be (1) specific to an individual expenditure, (2) for budgeted expenditures with variations authorized by the board, or (3) for a financial assistance program administered by DECD. The advisory board may delegate the approval of transactions valued at less than \$100,000 to DECD staff.

Reporting

DECD must submit a report on the fund's activities annually beginning January 1, 2016 to the advisory board for approval. After approving the report, the advisory board must submit the report to the Commerce Committee. The report must contain information on the status and progress of the fund's operations and funding, financial assistance awarded, and any returns on investment (e.g., principal or interest payments, returns on equity investments).

MANUFACTURING INNOVATION ADVISORY BOARD

The bill creates an 11-member advisory board with 10 appointed members and the DECD commissioner, or her designee, as chair. The

governor appoints four members; the Senate president pro tempore, the House speaker, the Senate majority and minority leaders, and the House majority and minority leaders each appoint one. Each board member serves a term coterminous with his or her appointing authority. If a vacancy occurs for a reason other than the expiration of the appointing authority's term, the vacancy must be filled in the same manner. Each member hold his or her position on the board until a successor is appointed. All initial appointments to the advisory board must be made by July 1, 2014.

Each board member appointed must:

1. have skill, knowledge, and experience, in industries and science related to aerospace, medical devices, digital manufacturing, digital communication, or advanced manufacturing;
2. be a university faculty member or hold a graduate degree in a related discipline;
3. have manufacturing education and training expertise; or
4. represent manufacturing-related business or professional organizations.

A majority of members constitutes a quorum for exercising the boards powers, and the board may act by majority vote at any meeting at which a quorum in present. The chair must call the first meeting by September 20, 2014, and future meetings as she deems necessary.

Reimbursement and Conflicts of Interest

Members of the advisory board are not paid for their service, but are entitled to reimbursement for actual and necessary expenses incurred in the performances of their duties. Members may be privately employed, or in a profession or business, subject to state and federal ethics and conflicts of interest laws, rules, and regulations. However, regardless of law, it is not a conflict of interest for a trustee, director, partner, officer, manager, shareholder, proprietor, counsel, or

employee of an eligible recipient to serve as a member of the advisory board, provided he or she abstains from acting, deliberating, or voting on any matter concerning the eligible recipient.

BACKGROUND***Related Bills***

sSB 29, reported favorably by the Finance Committee, authorizes up to \$30 million in bonding for the fund.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 17 Nay 0 (03/20/2014)